Gerard Poliquin
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Sent via email to: regcomments@ncua.gov

May 5, 2014

To whom it may concern:

Historically, natural person credit unions have been safe and sound financial institutions. We lived through and survived the last several years when other institutions and businesses were failing. We, as an industry, have strong capital and have done a great job of managing risk, despite the over-regulation and challenges placed upon us. The proposed risk based capital rules seem to be a broad stroke of the brush and will put many credit unions in a less favorable position than they were yesterday. There are many areas of the rule that do not take into account management's ability to run an effective and sound business. ALLL, Cusos, and across the board risk weighting rules cannot be all encompassing for all credit unions. There are too many factors and differences between credit union operations.

The new risk based capital rule will put some credit unions at risk, or put additional burdens on credit unions to operate in a narrower field, in a time when it is difficult to raise net income and in turn, increase capital. As credit unions, we can only increase capital by increasing net income. In today's interest rate environment, that is near impossible. We have no access to secondary capital, and if we did, the big question is, "how would we pay investors for it anyway?" One might think that we have an opportunity to increase capital through a merger. That is not the case however. My credit union ($390 million assets) has approximately 9% capital. Earlier this year, we merged a credit union ($32 million assets) that had 18% capital. The merging credit union's board came to us because they could not generate enough income to stay viable in the near future. They wished to bring all of their capital with the merger and felt that it was "their buy in" to bring their members into our organization, which in turn would then have a vested interest in our capital. We were told (buy the regulator) that if we did not have a capital distribution to the members, the merger would not be approved. We were told that this was the members' money and should not all come with the merger. This resulted in a capital distribution of almost $1.8 million dollars to members who had paid loan interest or received dividends for the period of January 1st through September 30, 2014. Considering we had to follow all other GAAP rules and treat this as an acquisition, not being able to bring all aspects of the balance sheet over, was not right.

So, before new regulation is implemented, I would request that the NCUA fix some of the things that are wrong or not working in the system. It would seem prudent to take a whole new approach to credit unions and not find ways to regulate and burden credit unions, but find a way to help credit unions be more successful.

Sincerely,

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